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Why Brand Trumps Reputation

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The latest revival of Nike's iconic "Just Do It" campaign demonstrates the power of prioritizing customer demand over social approval.

Nike's decision to make NFL quarterback-turned-activist Colin Kaepernick the face of the 30th anniversary of the "Just Do It" campaign illustrates the important strategic difference between brand and reputation.

Brand is about generating demand among customers. Reputation is about approval among stakeholders. Nike has made a deliberate decision to increase the appeal of its brand among younger, liberal, ethnically diverse consumers globally while risking not only a portion of its existing customer base (older and more socially conservative buyers) but also its overall reputation — at least in the short term.

This is a bold business move. Most companies want "to have their cake and eat it, too" when it comes to brand and reputation. They seek to create a distinctive brand positioning among consumers while simultaneously enjoying the approval of all their stakeholders. It is rare that a company recognizes that brand and reputation sometimes need to be managed separately and that the actions required to drive brand strength may sometimes come at the expense of reputation.

Nike made a bet that the near-term hit to its reputation would be outweighed by gains among consumers stimulated by the company's commitment to a progressive stance with Kaepernick. The campaign, released early in September, seems to be paying off. While Nike's share price fell over 3% the day after the campaign launched and more than 200,000 mentions of #NikeBoycott appeared on Twitter and Instagram, the negative backlash has cooled, and Nike shares have traded strongly in the wake of increased sales.

Since its inception, Nike's "Just Do It" campaign has had an element of rebellion, and the latest rendition of the campaign is full-throated in this regard. Nike is not alone here. Brands with rebel legacies, like Harley Davidson and Virgin, and any number of entertainment personalities — Miley Cyrus and Madonna come quickly to mind — recognize that stirring the social pot can be an effective aspect of their brand, even when that means alienating some stakeholders.

Given this, it makes good business sense for Nike to choose a spokesperson who combines strong athletic credentials with a recognized social conscience. Nike is playing the long game to expand the

appeal of its brand to a new generation of consumers across the globe who respect both athletic excellence and social purpose.

Nike's strategic choice drives home an important point for all brands. Many companies have drawn an incomplete conclusion from the rise of social media. Yes, most organizations now understand the necessity of monitoring their activities to identify potential risks that stand to be dramatically amplified online as well as to use social channels to draw attention to reputation-boosting initiatives like work in the community and environmental efforts. But in making reputation the centerpiece of their communications, many companies have found that their brands have suffered: They have become bland, or worse, irrelevant. Consider Campbell Soup Co., which recently was recognized as having the No. 1 reputation among U.S. companies yet is faced with lagging sales and a continued drop in share price. By focusing on what makes the organization respected by everyone, companies often fail to ensure that their brand offers a distinct group of customers a compelling reason to buy.

Nike learned the distinction between brand and reputation the hard way. In the early 1990s, controversy and protests over the labor practices in its overseas factories both damaged its reputation and threatened to undermine the appeal of its brand among consumers. Nike saw how an apparent lack of social legitimacy can derail a business. At the same time, a positive reputation alone is not sufficient to win consumers to your brand or persuade them to pay a premium for your products. That requires a distinctive and compelling brand positioning that resonates with your target audience and reflects their aspirational values.

Understanding and managing this essential distinction between brand and reputation is not always easy. Nevertheless, Nike just did it.

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